

14.0 Rent Reasonableness [24 CFR 982.507]

Pensacola Housing will not approve an initial rent or a rent increase for any unit participating in one of its HCV programs without first determining that the requested rent amount is reasonable, in accordance with federal guidelines regarding rent reasonableness.

Rent reasonableness must be determined prior to the initial lease, and at the following times:

1. Before any increase in rent to owner is approved;
2. If, 60 days before the HAP contract anniversary date, there is a 10% decrease in the published FMR as compared to the previous FMR;
3. If directed to do so by HUD; and
4. Based on a need identified by Pensacola Housing's quality control or internal auditing processes.

At its discretion, Pensacola Housing may also perform rent reasonableness determinations at any other time, such as during a participant's annual recertification.

14.1 Comparability

For the purpose of making rent reasonableness determinations, Pensacola Housing will maintain and update a database of unassisted "comps" (rental units leased by unsubsidized tenants on the open market) in its jurisdiction.

Pensacola Housing HQS inspectors and other analysts will compare the rent proposed by the owner of an assisted unit to the rents of comparable units of the same type in comparable neighborhoods. Pensacola Housing will consider the location, quality, size, number of bedrooms, age, amenities, services, maintenance and utilities of the assisted unit and comparable units.

At any time, owners can review the information Pensacola Housing used to make a rent reasonableness determination for their unit. Owners may submit additional information, including market surveys or additional comps. Pensacola Housing will consider this information in making and reviewing rent reasonableness determinations.

14.2 Methodology

Pensacola Housing bases its rent reasonableness determinations on current comparables provided by the Pensacola Association of Realtors. In addition, Pensacola Housing may obtain information from other sources, including:

1. Classified ads, MLS listings, Craigslist, etc.;
2. Third-party vendors specializing in market data; and

3. Owner-provided rent rolls of comparable units, to be confirmed by Pensacola Housing.

Pensacola Housing has established that the market areas for rent reasonableness are census tracts and/or neighborhoods within Pensacola Housing's jurisdiction. Whenever possible, subject units within a defined housing market area will be compared to similar unassisted units within the same area.

14.3 Rent Reasonableness Restrictions for Owners

Federal regulations prohibit owners from charging HCV tenants more rent than unassisted tenants who occupy comparable units. By accepting the HAP payment each month, the owner certifies that the rent to owner is not more than the rent charged by the owner for comparable unassisted units.

If requested, and if applicable to the owner, the owner must provide Pensacola Housing with information on rents charged by the owner for other units on the premises or elsewhere.

At all times during the assisted tenancy, the total amount of monthly rent received by the owner from Pensacola Housing and the participant family may not exceed the reasonable rent as most recently determined or redetermined by Pensacola Housing.

14.4 Rent Reasonableness and Affordability

Rent reasonableness is not the only constraint on contract rents for HCV program participants. The other constraint concerns affordability. During the first contract year in a unit, the family share cannot be more than 40% of the family's monthly adjusted income if the gross rent exceeds the payment standard. An analysis will be done when the RTA is turned in to ensure the proposed contract rent for the unit meets this requirement.

14.4.1 Information for Owners

Owners should be aware that Pensacola Housing's acceptance of an RTA based on the 40% affordability standard is not verification that the rent proposed on the RTA is reasonable. The rent reasonableness determination will be performed after the initial inspection of the unit. At that time, owners may be asked to lower the contract rent, even if they've already lowered the proposed rent to meet the affordability standard.

If an owner chooses not to accept the reasonable rent proposed by Pensacola Housing, the RTA will be denied, and the applicant or participant will be provided with an opportunity to select a different unit.

14.4.2 Information for Participants

HCV program participants should be aware that the affordability restriction is only applied during a participant family's first contract year in a unit. After that year, changes to the